



**CenturyLink™**

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September 15, 2010

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**EX PARTE NOTICE**

*Re: Special Access Rates for Price Cap Local Exchange Carriers, WC Docket No. 05-25.*

Dear Ms. Dortch:

On behalf of CenturyLink, Jeb Benedict and I met with Don Stockdale, Al Lewis, Pam Arluk, Betsy McIntyre, Richard Kwiatkowski, Eric Ralph, and Marv Sacks of the Wireline Competition Bureau on September 14, 2010. We discussed the appropriate analytical framework for assessing competition in markets for high-capacity dedicated circuits including services sold as special access.

CenturyLink explained that the analytical framework used in the *Phoenix Forbearance Order* would require substantial modification to be applied in an economically appropriate manner in these markets. For example, the SSNIP test for market definition may be ill-suited for markets with high sunk costs and regulated prices, which typically is the case in the markets where special access services compete. Accordingly, the Commission should evaluate competition from all alternatives that purchasers consider when ordering circuits. In addition, due to relationship-specific investments, customers typically issue requests for proposals (RFPs) and re-evaluate suppliers only occasionally, so the focus of competitive analysis should be on recently acquired customers rather than total market shares. In addition, a merger-type analysis may be too restrictive as the question is not whether a combination of firms is likely to create market power but, rather, whether some measure of competitive parity in price regulation is appropriate.

CenturyLink also discussed its experience in markets for high-capacity dedicated circuits. As CenturyLink has submitted on numerous prior occasions in this docket, the vast majority of CenturyLink's special access revenues and lines are provided under full price cap regulation, without the benefit of pricing flexibility. In addition, the vast majority of the revenue and circuits are associated with five large carriers with substantial purchasing power. In fact, less than 5% of CenturyLink special access revenues are derived from end users. Accordingly, purchasing power must be considered, and not only do special access services typically involve a single purchaser, but that purchaser is often larger than CenturyLink and accounts for a large share of traffic on CenturyLink's network in the area.

Pursuant to Section 1.1206(b) of the Commission's rules, one copy of this electronic notice is being filed in each of the above-referenced dockets. Please contact me if you have any questions or need anything else.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffrey S Lanning". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Lanning" clearly distinguishable.

Jeffrey S Lanning

cc: Don Stockdale  
Al Lewis  
Pam Arluk  
Betsy McIntyre  
Richard Kwiatkowski  
Eric Ralph  
Marv Sacks